

Memorandum

To: Panel Members

From: Diana Torres, Manager
Peter DeMauro, General Counsel

Subject: Amendment 1 for **Crest Coating, Inc.**
(www.crestcoating.com)

Date: December 19, 2002

Analyst: J Davey

CONTRACTOR:

- Training Project Profile: Retraining: companies with out-of-state competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 100
 - In California: 100
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: NA

CONTRACT:

- Program Costs:
 - Present Program Costs:** \$13,440
 - Amendment Program Costs +:** \$11,200
 - Total Program Costs:** \$24,640
- Substantial Contribution:
 - Present Contract Contribution:** \$0
 - Amendment Contribution +:** \$0
 - Total Contributions:** \$0
- Total ETP Funding: \$24,640
- In-Kind Contribution: \$64,632
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange
- Duration of Agreement: 24 months

ACTIVE PROJECTS:

The following are current project statistics:

Agreement No.	Term	Agreement Amount	Number To be Retained	Number Enrolled	Number Completed Training	Number retained for 90 days
ET02-0268	3/4/02 – 3/3/04	\$13,440	14	14	13	13

Of the 14 proposed retrainees, 13 have completed training and retention. Therefore, the Contractor expects to earn \$12,480 (93%).

NARRATIVE:

Crest Coating (CCI) is one of the nation's largest applicators of powder coating for metal and wood products. The company is a licensed applicator for Teflon®, Xylan®, Halar®, as well as other exotic liquid and powder coatings. Established in 1968, Crest is an approved source for a wide range of industries, including the Aviation, Automotive, Military, Electronics, and Petrochemical. The company has 100 employees at its only location in Anaheim.

The company qualified for funding as a manufacturer of products that are sold out-of-state under the out-of-state competition provisions outlined in Title 22, California Code of Regulations, Section 4416(b) for industrially classified manufacturers retraining current employees.

CCI was approved as a One-Step Agreement at the February 2002 Panel meeting. Training for the first phase of 14 trainees began on March 20, 2002 and was completed on August 16, 2002. Crest Coating states that the first phase of training was designed to give the 14 key employees immediate, "hands-on," practical results on the job. The results of the training included changing and improving workstations, identifying workflow problems, and improving the design of work areas. For example, work cells, created to minimize multiple set-ups on different, multi-process jobs, have created improved overall efficiency in the entire production area. Also, the silkscreen area has been modified to become more "user friendly." In addition, the training improved employee awareness of business principles and provided the skills for trainees to become more proactive in creating preventive measures in the workplace, rather than reacting to problems after they have occurred. While great gains have already been accomplished in the first-phase training, the 14 key trainees (13 returning employees and one new trainee) are now ready to lead the rest of the workforce by communicating the new skills to their co-workers.

The second phase of training is designed to add to the skills acquired in the first phase by providing more sophisticated, theoretical skills in Continuous Improvement. The 14 key trainees need to be able to supervise, communicate with, and respond to their co-workers and team members in a more professional way. Even though they have received the requisite process skills to improve the work environment and implement the basic practical Continuous Improvement Skills, these trainees now must be able to use more sophisticated skills to motivate, lead, develop, and organize workers into teams to further maximize productivity.

NARRATIVE: (continued)

In this second phase of training, CCI proposes to train 13 returning employees and one new trainee. The new phase consists of 40 hours of class/lab training in Continuous Improvement skills in the following areas: Organization, Coaching and Managing Change, Leadership, Staff Development, Motivation, Communication, and Team Building. With the additional Continuous Improvement Skills, the company will be able to expand its workers' skills and continue the transition to a high performance workplace. Training will be conducted at its facility in Anaheim, California. CCI will perform all training and contract administration.

Supplemental Nature of Training

Crest Coating, Inc. has certified that this proposed training in Continuous Improvement is new training and supplemental to training that the company provides in the normal course of its business and the previous ETP training. The company has not delivered training in such a comprehensive and thorough way to most of its employees as the training requested in this Amendment.

CCI has been able to afford only rudimentary skills training to its current workers, covering only day-to-day functions, rather than the more advanced skills in Continuous Improvement Skills. Company representatives state that in the absence of ETP funding, the proposed training would have to be scaled back in scope, reducing the number of employees that could be trained.

In the past, most of the training CCI has offered has been focused on getting individuals trained to do their specific jobs, not toward moving to a high performance workplace. Other than the training delivered in the first phase, the most comprehensive training done to date includes training employees on a new accounting software system. Other training has been conducted on an "as needed" basis and includes Time Management seminars and Human Resources training in employee assessments. The training requested in this second phase is more sophisticated training and will help CCI to become more efficient and effective in its work processes, shorten production times and lower costs.

In-Kind Contribution

CCI will invest approximately \$21,916 for ETP training related costs for the amended portion of the Agreement (Phase II). This cost is the estimated wages for employees paid during training. CCI invested approximately \$42,716 for ETP training related costs for Phase 1, which was comprised of \$20,800 for replacement workers while ETP-funded trainees are trained and \$21,916 in estimated wages for employees paid during training. The total in-kind contribution for both phases is \$64,632.

COMMENTS:

Frontline Workers

All 14 retrainees in Phase 2 meet the definition of frontline worker defined in Title 22, California Code of Regulations, section 4400(ee).

Turnover Rate

Title 22, California Code of Regulations, Section 4417, Secure Job, states in part, that the Panel shall fund training for employment that is stable and that an employer's turnover rate shall not exceed 20 percent annually. The Panel may accept a higher turnover rate, if the employer provides evidence that the

COMMENTS: (continued)

proposed training will significantly decrease the turnover rate, or the employer has experience a singular reduction in force or other occurrence, which adversely affected the turnover rate in the last calendar year.

Crest Coating, Inc.'s initial proposal to the Panel included a turnover waiver request. The initial approval of the Agreement included the Panel's acceptance of Crest Coating's 35 percent turnover rate (calendar year 2001) as a one-time anomaly. Its turnover rate for the previous calendar year had been 15%. The results of the ETP training were expected to improve business and decrease its turnover.

The company states that its turnover rate for the first three quarters of 2002 (January – October) is down to 20%. Therefore, staff has determined that there is no turnover rate issue for the Panel to consider in the Amendment request for the second phase of training.

PROPOSED ACTION:

Staff recommends that the Panel approve the Amendment, if funding is available, based on the stated need of Crest Coating, Inc. to retrain its current workforce in Continuous Improvement in order to remain a viable California business and avoid future layoffs.

TRAINING PLAN:

Phase I:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job 1 – Retrainee	Continuous Improvement	14	40		20	\$960	*\$11.66 - \$21.10
						<u>Range of Hourly Wages</u> *\$ 9.60 - \$21.10	
						<u>Prevalent Hourly Wage</u> \$10.90	
						<u>Average Cost per Trainee</u> \$960	
<u>Health Benefit used to meet ETP minimum wage:</u> *Health benefits of between \$.72 - \$ 2.49 will be added to the trainee's wage to meet the ETP minimum hourly rate of \$11.66 for Orange County.						<u>Turnover Rate</u> 35% (2001)	<u>% of Mgrs & Supervisors to be trained:</u> 20%

TRAINING PLAN:

Phase II:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job 2 – Retrainee	Continuous Improvement	14	40			\$800	*\$11.66 - \$19.45
					<u>Range of Hourly Wages</u> *\$ 9.60 - \$19.45		
					<u>Prevalent Hourly Wage</u> \$10.90		
					<u>Average Cost per Trainee</u> \$800		
<u>Health Benefit used to meet ETP minimum wage:</u> *Health benefits of between \$.72 - \$ 2.49 will be added to the trainee's wage to meet the ETP minimum hourly rate of \$11.66 for Orange County.					<u>Turnover Rate</u> 20% 2002: (January – October)	<u>% of Mgrs & Supervisors to be trained:</u> 20%	

SOST Trainer Hours	SOST Trainer Activity Plan
28	<ul style="list-style-type: none"> ▪ Work with trainees to form teams ▪ Identify and Solve Communication Problems ▪ Gather and Analyze Data ▪ Provide feedback to trainees ▪ Assess trainee progress
<div style="border: 1px solid black; padding: 10px; text-align: center;"> Competency: Trainees will be able to work in teams, improve communication, and increase efficiencies </div>	

Phase II

Class/Lab Hours	Continuous Improvement
Job 2 = 40	<ul style="list-style-type: none"> • Getting Organized • Advanced Lean Principles • Assessing Your Team • Advanced Coaching and Managing Change • Advanced Leadership Development • Developing Your Staff • Motivating Your Team • Cultivating Communication Skills through Positive Attitude • Goal Setting • Team Building • Employee Training Responsibilities • Supervisor Safety Communication Responsibilities • Developing Employee Ownership and Accountability • Leadership Self-Assessment